

Washington, DC –Congressman Harry Teague has introduced legislation to extend the suspension of the net income limitation on percentage depletion. The net income limitation severely restricts the ability of American independent producers to use percentage depletion, particularly with respect to marginal wells. Percentage depletion is already subject to many

limitations.

“New Mexico’s small oil and gas producers are essential to our local economies and help secure American’s energy independence,” said Congressman Harry Teague. “Without these critical tax incentives many of our small producers would have to plug wells that create jobs for New Mexicans, keeping this incentive in place is critical to the recovery of our local industry.”

Many of the wells in southeastern New Mexico are marginal oil wells – those producing on average 15 barrels per day or less or producing heavy oil. These wells account for approximately 20 percent of American oil production. Marginal natural gas wells – those producing on average 90 mcf/day or less – account for approximately 10 percent of American natural gas production.

Beginning with the Taxpayer Relief Act of 1997 the net income limitation on percentage depletion for marginal properties has been suspended in two year increments; this suspension expires December 31st, 2009.